REPORT ON STUDY OF RECOVERING FUNDS EXPENDED FOR CONSTRUCTION OF STATE HIGHWAY ROUTE 276 TO MINERAL KING

REQUESTED BY
HOUSE RESOLUTION NO. 497
1968 REGULAR SESSION

STATE OF CALIFORNIA
BUSINESS AND
TRANSPORTATION AGENCY
DEPARTMENT OF PUBLIC WORKS
DIVISION OF HIGHWAYS

JANUARY 1969

2023.009.0173a

State of California

Transportation Agency

Memorandum

To : Mr. James A. Moe
Director of Public Works

Date: January 2, 1969

File : 06-Tul-276

From : **Department of Public Works—Division of Highways**

Subject: House Resolution No. 497

Transmitted herewith is a report covering study of means of recovering all or part of the funds expended for construction of State Highway Route 276 from 0.6 mile east of Salt Creek to Mineral King. This study was requested by House Resolution No. 497 by Assemblyman Sieroty and adopted on August 1, 1968.

Except for the $3 million grant by the Economic Development Administration, no other agency or organization has indicated it can make any financial contribution to help defray the costs of construction. The National Park Service will not permit collection of tolls or user charges on the portion of the road westerly of the east boundary of Sequoia National Park. The U. S. Forest Service is opposed to collection of user charges on any portion of the route.

In summary, it appears that the $3 million EDA grant will be the only source of supplementary funds to help defray project costs.

J. A. LEGARRA
State Highway Engineer

Attach.

FORM H-AD 38A

2023.009.0173 b

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Exhibit 1 - letter from National Park Service dated 12-28-67

Exhibit 2 - letter from National Park Service dated 2-8-68

Exhibit 3 - letter from U. S. Forest Service dated 3-22-68

Exhibit 4 - letter from U. S. Forest Service dated 4-4-68

Exhibit 5 - letter from Economic Development Administration dated 10-7-68

Exhibit 6 - letter from Tulare County Board of Supervisors dated 10-8-68

Exhibit 7 - letter from Bureau of Outdoor Recreation dated 10-9-68

Exhibit 8 - letter from Walt Disney Productions dated 10-9-68

Exhibit 9 - letter from U. S. Forest Service dated 12-9-68

Appendix A - Coverdale & Colpitts Report

Appendix B - Blyth & Co. Report

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I. HOUSE RESOLUTION NO. 497

by Assemblyman Sieroty

House Resolution No. 497
Relative to State Highways

(Adopted by the Assembly on August 1, 1968)

RESOLVED BY THE ASSEMBLY OF THE STATE OF CALIFORNIA, That the Department of Public Works is directed to study means of recovering all or part of the funds expended for construction of State Highway Route 276 from 0.6 miles east of Salt Creek near Route 198 to Mineral King, including, but not limited to, collection of use charges, additional contributions from federal agencies, or pursuant to agreements for contributions derived pursuant to parking, user, or other fees collected by private landowners, organizations, or federal or local agencies; and be it further

RESOLVED, That, for purposes of such study, the Department of Public Works is directed to contact agencies of the United States Government and private parties concerned with the development of the Mineral King Area; and be it further

RESOLVED, That the Department of Public Works is directed to report its findings and recommendations to the Assembly not later than the fifth day of the 1969 Regular Session of the Legislature.

II. ROUTE PLANNING

Route 276 was added to the State Highway System by action of the 1965 Legislature. The legislative description of Route 276 is "from Route 198 near Three Rivers to Mineral King."

Route 276 is not included in either the California Freeway and Expressway System or the State Scenic Highway System.

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At the April 21, 1966, meeting of the California Highway Commission, the Division of Highways presented a brief status report covering planning considerations involved in development of the route. This report advised that the Governor's Office had on April 4, 1966, submitted an application for a Federal Economic Development Administration grant for the planning and design phases of route development. (The application was subsequently revised to a request for a construction grant.)

Following discussion of the project at the April 21, 1966, meeting, the Commission adopted a motion directing the Division to immediately initiate routing studies so that the location, type of facility, and estimated costs for development of Route 276 could be determined at an early date.

In the 1966 First Extraordinary Session, Senate Concurrent Resolution No. 19 was adopted on May 16, 1966, which requested the Highway Commission and the Division of Highways to undertake all steps necessary to bring about prompt selection, adoption, and determination of the location of Route 276.

A public hearing covering the project was held in Three Rivers on August 10, 1967. The single studied location presented at the hearing was adopted as a freeway by the Highway Commission on October 24, 1967.

The adopted routing is 20.4 miles in length. It is proposed to construct a basic two-lane facility with a 28-foot paved width with safety lanes for passing where feasible.

III. MINERAL KING RECREATIONAL DEVELOPMENT

In February 1965, the U. S. Forest Service issued a "Prospectus for a Proposed Recreational Development at Mineral King in Sequoia National Forest." The purpose of this prospectus was to solicit proposals from private investors for development of an extensive winter and summer recreational complex at Mineral King.

In early 1966, the Forest Service awarded a preliminary permit to Walt Disney Productions to undertake the recreational development of the Mineral King area. The three-year preliminary permit period covers primarily the planning and design phases of the project. Under the terms of the permit, arrangements must be made for the improvement of the 25-mile access road from Route 198 near Hammond to such a standard that winter visitors can drive their own cars to Mineral King.

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A 30-year term permit will follow the preliminary permit when (1) recreational development programs and plans submitted are approved by the Forest Service, (2) the first contract is let for a significant portion of the road, and (3) funds are programmed for completion of the road improvement project within five years.

Based on the economic study prepared by Walt Disney Productions, the proposed Mineral King recreational area is estimated to generate a total of primary and secondary new initial investment of some $57 million within a 10-year period and to result in annual payrolls of at least $13 million thereafter. It will ultimately generate 2,500 new permanent jobs, primarily in the trade and service industries. An immediate result during the construction phase would be the creation of over 500 jobs in construction and supporting services. By 1978, upon completion of the first development phase, it is estimated that Tulare County will be receiving an additional $1,700,000 annually in tax revenues.

IV. ECONOMIC DEVELOPMENT ADMINISTRATION GRANT

On December 14, 1966, the California Transportation Agency accepted a $3 million Federal construction grant from the Economic Development Administration to help defray the costs of the Mineral King highway project. Prior to disbursement of any EDA funds, the State must submit to the Federal Government the written covenants of Walt Disney Productions agreeing to enter into an employment plan with the State assuring that the recreational project will provide maximum employment opportunities to the long-term unemployed in Tulare County.

Following adoption of House Resolution No. 497, the Economic Development Administration was contacted to ascertain if additional funds could be contributed toward construction of the highway. In a reply dated October 7, 1968 (Exhibit 5), the EDA indicated it could consider a revised application only if there has been a significant change in the circumstances relating to the project. The EDA also indicated that the imposition of user charges on the highway might cause a major change in the economic impact by reducing the number of users and, therefore, the Mineral King employment potential on which the grant was based.

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V. FINANCING

At the Highway Commission's meeting on February 16, 1967, the Division of Highways presented a project status report (dated February 8, 1967) in which it was recommended that the agencies benefiting from the proposed highway construction, namely, the U. S. Forest Service, Tulare County, and Walt Disney Productions, be approached as to the possibility of participating in the required financing of construction. The Commission concurred in this recommendation.

A special report dated April 18, 1967, was presented at the Commission's meeting on April 20, 1967, outlining a possible financing schedule and advising that the only source of funds to finance the major share of the Mineral King project costs appears to be unfrozen funds presently programmed for projects in District 7 (Los Angeles, Orange and Ventura counties). The report also advised that the U. S. Forest Service, Tulare County, and Walt Disney Productions had all responded to the effect that they were unable to make any contribution to financing the highway construction.

Following discussion at the April 20 meeting, the Highway Commission passed a resolution allocating $800,000 for expenditures for acquisition of rights of way during the 1967-68 fiscal year.

In this resolution, the Commission also declared its intention to budget, as necessary, all funds needed to permit award of all construction contracts for the Mineral King project in accordance with the following financing schedule:

1969-70 F.Y.	$ 1,000,000
1970-71 F.Y.	6,000,000
1971-72 F.Y.	8,500,000
1972-73 F.Y.	6,000,000
1973-74 F.Y.	1,500,000
	$23,000,000*

*Includes $3 million EDA grant

Also at its April 20, 1967, meeting, the Highway Commission adopted a separate motion requesting the Legislature to give consideration to a toll road as a means of helping to finance the project.

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Included in the Highway Commission's 1969-70 fiscal year budget adopted on October 22, 1968, is the initial construction unit for the Mineral King highway. An amount of $1,800,000 has been allocated for the upper 2.4 miles between the east boundary of Sequoia National Park and 1.1 miles west of Monarch Creek.

VI. TOLLS OR USER CHARGES

On June 15, 1967, House Resolution No. 250 by Assemblyman Duffy was adopted by the Assembly requiring the Department of Public Works to report its findings and recommendations relative to the feasibility of various methods of defraying the cost of the Route 276 highway to Mineral King to the Assembly on or before the fifth legislative day of the 1968 Regular Session. As part of the study, the Department was to ascertain if toll financing would conflict with the requirements of the Economic Development Act.

The firm of Coverdale & Colpitts was retained to undertake study of the feasibility of various methods of defraying the highway project costs. In their report dated December 20, 1967, Coverdale & Colpitts felt only $2,213,000 could be provided for construction by a bond issue supported by tolls on the route for the 30-year period of the proposed Disney permit. If bond payments could be guaranteed from other sources and a 50-year period used, about $5,269,000 could be raised by a bond issue. If the project were financed entirely from State highway funds and enabling legislation was enacted to collect user charges, $8,600,000 could be returned by the State by 1999. These estimates were based on a toll or user fee of $1.50 per vehicle during the ski season and $1.00 for the remainder of the year.

In the January 1968 report to the Legislature, it was recommended that bond financing based on tolls not be considered because of the limited funds which could be raised in comparison to the total cost of the project. If deemed appropriate by the Legislature, consideration could be given to enactment of legislation which would permit the imposition of a toll or user charge to repay the State Highway Fund all or a portion of the costs of the project.

A copy of the Coverdate & Colpitts report is attached as Appendix A. Coverdale & Colpitts retained Blyth & Co. to evaluate the feasibility of revenue financing. The Blyth & Co. report is attached as Appendix B.

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VII. POSITIONS OF OTHER AGENCIES AND ORGANIZATIONS RELATIVE TO FINANCIAL ASSISTANCE AND USER CHARGES

As previously noted, Tulare County, the U. S. Forest Service, and Walt Disney Productions had been contacted (in February and March 1967) and had replied they were unable to make any financial contribution toward financing the highway construction.

During a joint field review of the project on July 25, 1967, representatives of the Park Service and the Forest Service suggested that initial contacts regarding any federal restrictions on the imposition of tolls should be with the U. S. Bureau of Outdoor Recreation. Subsequently, a letter dated August 3, 1967, to this effect was sent to Mr. F. E. Sylvester, Regional Director of the Bureau of Outdoor Recreation.

By letter dated September 13, 1967, the Bureau of Outdoor Recreation replied that it could not give a definitive answer and that the matter was being referred to the National Park Service since the Park Service had a prime responsibility for administration of lands in the area of concern.

By letters dated December 28, 1967, and February 8, 1968, the National Park Service objected to the imposition of tolls on any road which would provide access to any portion of the Sequoia National Park but would have no objection to the collection of tolls at a point east of the east boundary of the park. Copies of these letters are attached as Exhibits 1 and 2.

The U. S. Forest Service by letters dated March 22, 1968, and April 4, 1968, stated that it would be opposed to the operation of the proposed Mineral King road as a toll road regardless of the point of collection of tolls. Copies of these two letters are attached as Exhibits 3 and 4.

Following adoption of House Resolution No. 497, letters requesting consideration of financial assistance in highway construction were again sent to Tulare County, the U. S. Forest Service, and Walt Disney Productions. In addition, the U. S. Bureau of Outdoor Recreation was asked if it had any possible fund sources, and the EDA was requested to consider contributing additional funds to the project. The U. S. Forest Service and Disney were also asked to reconsider their previous opposition to imposition of user charges.

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In subsequent replies received, none of the above agencies or organizations was able to contribute funds (or more funds in the case of the EDA) to the construction of the highway. In addition, both the U. S. Forest Service and Disney reiterated their opposition to imposition of user charges. Copies of these replies are attached as Exhibits 5 through 9.

VIII. SUMMARY

Except for the $3 million grant from the EDA, none of the other agencies or organizations having an interest in construction of the Mineral King highway was able to contribute funds to help defray project costs.

The federal agencies having control of the lands through which the majority of the project passes (National Park Service and Forest Service) oppose tolls or user charges to help finance construction. The EDA indicated that the imposition of user charges could result in a reduction of the present $3 million grant, depending upon whether or not and how much the employment potential is reduced.

In summary, it appears that the $3 million EDA grant will be the only source of supplementary funds to help defray project costs.

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EXHIBIT 1

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE

WESTERN REGION
450 GOLDEN GATE AVENUE, BOX 36063
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:
D30
(WR)O

December 28, 1967

Mr. J. A. Legarra
State Highway Engineer
State of California
P. O. Box 1499
Sacramento, California 95807

Dear Mr. Legarra:

You will recall your letter of August 3, 1967 addressed to Regional Director Frank E. Sylvester, Bureau of Outdoor Recreation, regarding the possibility of charging tolls on the proposed Mineral King Road and which was referred on September 13 to this office for reply.

We, in turn, requested a statement from our Washington Office, on the National Park Service's position on road tolls on the Mineral King Road. We have since been advised that there are no Federal regulations or restrictions as such which would apply to roads administered by the Department of the Interior. However, since the present road, or any improvements to it, provides access to portions of Sequoia National Park, the National Park Service would offer strong objections to imposition of tolls on the road.

This, of course, is in direct response to your specific inquiry regarding road tolls as related to the proposed road.

Sincerely yours,

Raymond O. Mulvany
Acting Regional Director

2023.009.0173 K

EXHIBIT 2

UNITED STATES
DEPARTMENT OF THE INTERIOR
NATIONAL PARK SERVICE
WESTERN REGION
450 GOLDEN GATE AVENUE, BOX 36063
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:
L34
XD30
(WR)OM

February 8, 1968

Mr. J. A. Legarra
State Highway Engineer
Division of Highways
P. O. Box 1499
Sacramento, California

Dear Mr. Legarra:

Your letter of January 11 inquired if the National Park Service would object to the collection of tolls by the State of California on the proposed State Route 276 at a point east of the east boundary of Sequoia National Park.

We have no objection to the toll collection as you now propose since it would not apply to visitors to that section of Sequoia National Park through which the proposed State Route 276 would pass.

We would appreciate being kept informed of further details concerning the proposed toll collection.

Sincerely yours,

John A. Rutter
Regional Director

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EXHIBIT 3

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
CALIFORNIA REGION
630 SANSOME STREET
SAN FRANCISCO 11, CALIFORNIA

IN REPLY REFER TO
7700

March 22, 1968

Mr. J. A. Legarra
State Highway Engineer
Division of Highways
P. O. Box 1499
Sacramento, California

Dear Mr. Legarra:

We have given very careful consideration to the request contained in your letter of February 1 for a statement of the Forest Service position on collecting tolls at some point on National Forest land for use of the road to Mineral King. As you know, the toll road question has been discussed several times during the last few months by members of our respective staffs and also with representatives of the National Park Service. We have also considered the public policy implications of applying a criteria for access to Mineral King which would be different than that which has been applied to many other public recreation areas throughout California.

We believe it is important to fully recognize that the central focus of all of the planning leading to the eventual decision to go ahead with the development of Mineral King as a year-round public recreation complex has been directed towards a family oriented opportunity. Any aspect of developing this area which might compromise that overall basic public objective must be rejected. The extra cost of taking a family to Mineral King where the only access is to be via a toll highway would have to be so considered. Because of this the Forest Service could not concur in a proposal to collect toll on National Forest land for the Mineral King access road.

We have noted some tendency to discuss the Mineral King public recreation development as a private facility. We know that this is not the opinion of the Division of Highways or others who are familiar with the planned development. The development is in every sense a public recreation area located on public land. The use of private capital to provide the investment capital for the development and to operate the area is in keeping with long established practice of the Forest Service and other public agencies. We note that this method of handling public

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recreation investments has received increasing attention by the State of California in recent years.

We are most anxious to continue close cooperation with the Division of Highways in all aspects of planning and developing the highway to Mineral King.

Please let us know if you have other questions.

Sincerely,

J. W. DEINEMA
Regional Forester

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EXHIBIT 4

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
CALIFORNIA REGION
630 SANSOME STREET
SAN FRANCISCO 11, CALIFORNIA

IN REPLY REFER TO

7760

April 4, 1968

Mr. J. A. Legarra
State Highway Engineer
Division of Highways
P. O. Box 1499
Sacramento, California

Dear Mr. Legarra:

This will confirm Mr. Peterson's telephone discussion with you of April 4 regarding Forest Service policy on a toll road to serve the Mineral King area of the Sequoia National Forest.

As stated in our letter to you of March 22, we consider that a toll road to Mineral King would not be compatible with the planned public, family oriented use in that portion of the Sequoia National Forest. Since obviously the road to Mineral King must be considered in its entirety because it is the only access route serving the area, we would be opposed to operation of the road as a toll road regardless of the point of collection of tolls. The practical effect of the toll road would obviously be the same regardless of the ownership of the land at the point of collection.

We hope this clarifies our basic policy. If there are other questions, please let us know.

Sincerely yours,

J. W. Deinema
Regional Forester

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FILE COPY
DIRECTOR'S OFFICE
DEPARTMENT OF PUBLIC WORKS

EXHIBIT 5

U.S. DEPARTMENT OF COMMERCE
ECONOMIC DEVELOPMENT ADMINISTRATION
WESTERN AREA OFFICE
415 FIRST AVENUE NORTH
SEATTLE, WASHINGTON 98109

October 7, 1968

Mr. Samuel B. Nelson
Director of Public Works
State of California-Transportation Agency
1120 N Street
Sacramento, California 95814

Attention: Mr. James A. Moe
Chief Deputy Director

Dear Mr. Nelson:

We have received your letter of September 18, 1968, which you addressed to our Southern California Field Coordinator, and which requested consideration of additional funds for the Mineral King Highway project (EDA Project 07-1-00377.

In response to your question about additional funds, we must inform you that we can only consider a revised application if there has been a significant change in the circumstances relating to the project that has occurred since you accepted the offer of grant. Since your letter indicates that the reason for inquiring about additional funds is the concern of your department in providing the funds previously identified as available for the project, we feel that adequate justification for reconsideration has not been presented to us.

Because you are re-examining the project, however, we must remind you that any action on your part which might cause a significant change to the basis on which we made our original analysis would require us to re-evaluate the project under the revised circumstances. As an example, the imposition of user charges on the highway might cause a major change in the economic impact of the project by reducing the number of users and, therefore, the employment potential.

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EXHIBIT 5

We are also concerned that the apparent progress of this project has been slow, and that the employment benefits which EDA had anticipated are not likely to be realized in the near future.

Sincerely,

V. W. Cameron
Area Director

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DIRECTOR'S OFFICE
DEPARTMENT OF PUBLIC WORKS

EXHIBIT 6

County of Tulare

BOARD OF SUPERVISORS

ROOM 301 - COURTHOUSE - VISALIA, CALIFORNIA PHONE (209) 732-5511 EXTENSION 331

October 8, 1968

Mr. James A. Moe
Chief Deputy Director
Department of Public Works
1120 N Street
Sacramento, California 95814

Dear Mr. Moe:

Your letter of September 18th to the Tulare County Board of Supervisors has been received, in which you refer to Assembly Resolution No. 497, adopted August 1, 1968.

We have noted with interest the contents of this resolution, which requests the Department of Public Works to study means of recovering all or part of the funds to be expended for the construction of the Mineral King Highway (Route 276).

You refer to the benefits of the construction of the Mineral King Highway and its importance to the County of Tulare. Once again you have suggested that perhaps for this reason a financial contribution should be forthcoming from the County of Tulare, either during the construction or following the completion of the project.

After reconsideration of this request, which was a result of the State Highway Engineer letter of February 23, 1967, covering the same subject of financial participation by Tulare County, the Board of Supervisors still feel that it would be virtually impossible to participate financially in this project. However, we would like to once again point out several salient points in which the County of Tulare has been of outstanding cooperation for the success of this project.

It was at the initiative of the County of Tulare that application was made for, and granted, three million dollars from the Economic Development Administration for construction of the Mineral King road. While the grant went to the State of California, and the press made much of the fact that this was done, nevertheless all of the ground work, planning and preparing of the necessary applications was done by the staff

Supervisors

CHARLES J. CUMMINGS, CHAIRMAN - 1ST DISTRICT
DONALD M. HILLMAN, VICE CHAIRMAN - 2ND DISTRICT
CARL E. BOOTH - 3RD DISTRICT
FRED BATKIN - 4TH DISTRICT
RAYMOND J. MULLER - 5TH DISTRICT

Clerks of the Board

JAMES E. HOWARD - COUNTY CLERK
SYLVIA HALLOWS
CLERK, BOARD OF SUPERVISORS
CAROL I. SANTOS,
ASST. CLERK, BOARD OF SUPERVISORS

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October 8, 1968
Mr. James A. Moe
Dept. of Public Works
Sacramento, California

of the Tulare County Chamber of Commerce for the County of Tulare, since the County was the smallest political subdivision that would qualify for grants. We feel this was a major entering wedge into opening the door for the successful approval of the State Highway Commission for the total money for construction of the Mineral King road.

Then, too, the County of Tulare expects to cooperate to provide the police protection for the installation that will be made at Mineral King.

It is also noteworthy that the County Area General Plan calls for adequate and protective zoning of the area in which the all year round recreational area will be constructed, as well as protective zoning for the Mineral King road. Every effort has been made and will be made to protect this project by zoning.

Tulare County will be very much in evidence in Fire Protection in cooperation with the California State Division of Forestry and the Sequoia National Forest to provide these services that are so vital to successful operation.

The government of Tulare County, in the form of the Tulare County Board of Supervisors, has given full support at every turn of the road where the Mineral King road or the Walt Disney all year round recreational area is concerned, not because of the fact that it will be good for Tulare County, which it most certainly will be, but from the standpoint of the fact that it will be good for California, the entire western part of the United States and the world. This installation is good for all of California, and since the funds from which highways are built are collected from all of California, we feel Tulare County should not be called upon to make any financial contribution other than the percentage of the gas tax our citizens pay the same as any other person or persons.

We fully realize that the cost of this highway is extensive, but its usage into the Mineral King valley in the years ahead will reconcile the funds for constructing the road. We feel sure the California State Highway Commission had this in mind in their original plan and we are sure they made a wise decision.

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EXHIBIT 6

October 8, 1968
Mr. James A. Moe
Dept. of Public Works
Sacramento, California

There may be means of recovering either part or all of the cost of the construction of this road, but at this time we do not know of any one method that would be both feasible and effective without being prohibitive to at least some segments of the population wanting to use the road.

We appreciate your solicitation on the possibility of financial participation by the County of Tulare, but we have done and will continue to do all we can. However, financial contribution at this time is not possible.

Sincerely yours,

Donald M. Hillman
Vice Chairman
Tulare County Board
of Supervisors

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FILE COPY
DIRECTOR'S OFFICE
DEPARTMENT OF PUBLIC WORKS

EXHIBIT 7

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF OUTDOOR RECREATION
PACIFIC SOUTHWEST REGIONAL OFFICE
BOX 36062
450 GOLDEN GATE AVENUE
SAN FRANCISCO, CALIFORNIA 94102

IN REPLY REFER TO:

October 9, 1968

Mr. Samuel B. Nelson
Director of Public Works
1120 N. Street
Sacramento, California 95814

Dear Mr. Nelson:

With reference to your letter of September 18, 1968, we believe that the Land and Water Conservation Fund is an inappropriate source of financial assistance for the Mineral King Highway.

The Land and Water Conservation Fund Act prohibits use of Fund monies for development of Federal recreation facilities or to enhance privately financed projects.

You may wish to discuss this matter further with Mr. William Penn Mott, Jr., Director, Department of Parks and Recreation, State of California, who serves as the State's Liaison Officer with the Bureau of Outdoor Recreation.

Sincerely yours,

Frank E. Sylvester

Frank E. Sylvester
Regional Director

The $7 Annual Golden Eagle Passport admits carload of people year-long to all designated Federal recreation areas

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DIRECTOR'S OFFICE
DEPARTMENT OF PUBLIC WORKS

EXHIBIT 8

WALT DISNEY PRODUCTIONS

500 SO. BUENA VISTA ST. • BURBANK, CALIFORNIA 91503 • CABLE ADDRESS: DISNEY

October 9, 1968

Mr. James A. Moe
Chief Deputy Director
State of California
Transportation Agency
Department of Public Works
1120 N Street
Sacramento, California 95814

Dear Mr. Moe:

Thank you very much for your letter of September 18th, requesting that this corporation reconsider its position regarding funding of State Route 276, and the collection of user fees at the Mineral King parking facility.

In restating our position we would like to review several significant facts relating to the development of Mineral King as an all-year recreational area. Throughout the 1960's, Federal and State Government agencies have devoted significant research to the need of our ever-growing population for adequate outdoor recreation facilities. On the part of the United States Forest Service this study resulted in a master plan for the conservation of the High Sierra of California. In this plan the Forest Service designated the area known as Mineral King for high use development to serve the many people who desire to travel to their recreational areas by automobile.

In March, 1965, the Forest Service requested proposals from private enterprise for the development of visitor accommodations and facilities in this magnificent area. From its inception, the project was intended to be a cooperative effort of Federal and State Government and private enterprise.

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NO AGREEMENT WILL BE BINDING ON THIS CORPORATION UNLESS IN WRITING AND SIGNED BY AN OFFICER

WALT DISNEY PRODUCTIONS

In reaffirming the Federal Government's position regarding public recreation, President Lyndon B. Johnson, in a memorandum dated April 21, 1967, stated:

> "I wish to again emphasize the importance of strengthening the cooperative relationship between government and private enterprise in the field of outdoor recreation. Only by this cooperation can we meet most effectively, the growing demand for adequate, accessible, and reasonably priced outdoor recreation facilities.
>
> "The next decade will require a $350 million investment in new recreation facilities on Federal lands. To achieve this goal our public policy must encourage the kind of public cooperation and healthy private competition necessary to protect the public's interest and encourage full participation by private enterprise."

In responding to the Forest Service prospectus in August 1965, Walt Disney Productions projected an investment of $35 million to develop Mineral King, this investment to be completed within five years after opening. You will note that this amount represents 10% of the entire investment projected by President Johnson in 1967 as being necessary from private enterprise.

As we have stated previously, this figure represents the maximum that we could justify to our stockholders as being prudent to invest in the development of Forest Service lands. When considering the outstanding recreational resources which will be opened for the citizens of California, as well as the economic growth this project will generate for the San Joaquin Valley area, and the new tax revenues which will be generated for the State of California, we feel that the state's investment in road construction is justified.

We do not feel that it is proper for Walt Disney Productions to take a position either favoring or opposing the imposition of a user fee on State Route 276. However, if a toll is to be charged, it should be administered equally to all who use the road.

No Agreement Will Be Binding On This Corporation Unless In Writing And Signed By An Officer

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EXHIBIT 8

WALT DISNEY PRODUCTIONS

Collection of a toll at the Mineral King parking facility would exclude at least 25% of all users from the necessity of paying the fee. A major commercial development on 400 acres of private land is planned by another developer in the Silver City area. In addition, thousands of summer vacationers will travel this road for sightseeing purposes without utilizing our parking facility. Plain human nature would dictate that many recreation visitors would seek alternate parking below the Mineral King Valley in order to avoid payment of the user fee, thereby creating an impossible situation for the Forest Service in administering the area.

We would, however, point out that there is no precedent for the imposition of a toll, since all national forests in California are now freely accessible by state highway. Also, legislative action would be necessary for the establishment of an authority to supervise the collection of user fees. The toll in effect would cause users to pay twice for the toll -- once through their gasoline taxes and a second time through user fees.

This corporation is continuing its detailed planning effort in preparation for the day when we may begin construction of this much-needed recreational facility. Based upon the new tax revenue and employment which will be created by this development, we firmly believe that this road is in the public interest.

We look forward to the day when Mineral King will be completed and opened to serve the vast recreational demand which exists now and will grow substantially by 1973.

Very truly yours,

Donn B. Tatum
Executive Vice President -
Administration

DBT/be

2023.009.013 X

FILE COPY
DIRECTOR'S OFFICE
DEPARTMENT OF PUBLIC WORKS

EXHIBIT 9

UNITED STATES DEPARTMENT OF AGRICULTURE
FOREST SERVICE
CALIFORNIA REGION
630 SANSOME STREET
SAN FRANCISCO, CALIFORNIA 94111

IN REPLY REFER TO
7750

December 9, 1968

Mr. James A. Moe
Chief Deputy Director
Department of Public Works
1120 N Street
Sacramento, California 95814

Dear Mr. Moe:

We have given thorough consideration to House Resolution No. 497 which requests the Department of Public Works to study means of recovering all or part of the funds to be expended for construction of the Mineral King Highway (Route #276).

The highway provides access to a public recreation development on public lands. Such access is provided to citizens who are primarily State of California residents. The road is being designed with your projected traffic use estimate of 4,550 vehicles per day (1976 average daily traffic estimate). Such travel, which is expected to increase in the future, could contribute enough gas tax to pay for the road. In view of this source of funds, we are surprised that the State would consider other means for paying for the roads.

With relation to a direct contribution by the Forest Service, we find that funds presently appropriated to the Forest Service for roads are limited to those on the Forest Service Road and Trail System. The Mineral King Highway, as is true with all State Highways, is not on the Forest Service Road System. If a direct contribution were to be made by the Forest Service, as well as other Federal agencies, we believe that a special act of Congress would be necessary. Your State Highway Engineer has information concerning limitations on Federal Road funds.

With respect to the collection of user fees through direct toll collection or through increasing the Mineral King parking lot charge, we have considerable reservation based on the comments below.

1. We do not feel that such a procedure is the present intent of Congress concerning recreation uses. The Land and Water Conservation Fund Act of September 3, 1964 (78 Stat. 897) Section (a) (14) is quoted as follows:

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"No - - - fee shall be charged for travel by private non-commercial vehicle over any national parkway or any road or highway established as a part of the national Federal-Aid system, as defined in Section 101, title 23, United States Code, or any road within the National Forest system or public land area, which, though it is a part of a larger area, is commonly used by the public as a means of travel between two places, either or both of which are outside the area."

While this Act does not directly apply to the road, it does indicate the position of Congress concerning access to public recreation lands. The law would apply if Federal-Aid funds are even considered for the Mineral King road.

2. In considering this road, as well as roads and trails, and similar structures built on National Forest Lands by State agencies, the Forest Service has always considered these as matters of mutual service to the public. The Forest Service has not charged for rights-of-way for these facilities and has left large Forest Service areas open to the public at no charge. In turn the Forest Service has expected the State to limit charges to the using public. This mutual approach has provided outstanding service in the past and we would like to continue on the same basis in the future.

3. The road travels through lands controlled by three Federal agencies; the Bureau of Land Management, The Park Service, and the Forest Service. It also travels through private lands which may be developed for commercial purposes. If a user charge were established which was collected just within National Forest lands (National Forest lands are at the upper end of the road) or only at the Disney parking lot, there would be de facto discrimination by the State against users of Forest Service lands. We would be unable to justify this to the public and therefore we could not approve of such a system of collection. We believe that all users of land along the route should be treated impartially and that the best method of accomplishing this purpose is to depend on gas taxes to pay for the route under existing procedures.

In view of the items above and the consideration for public use discussed in our letter to Mr. Legarra, dated March 22, 1968, we would find it difficult to support further contribution by Federal funds, by toll collection, or by collection of a highway user fee at the Mineral King parking lot.

We appreciate the cooperation of the Division of Highways concerning this route and we are confident that this and other problems will be worked out to the advantage of the using public.

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EXHIBIT 9

We are enclosing a copy of a typical Special Use Permit which will be issued to the developer of the Mineral King Ski Area. This was requested by Mr. Legarra of the Division of Highways.

Enclosure:
Copy of S.U. Permit

Sincerely yours,

Paul O. Neff

J. W. DEINEMA
For Regional Forester

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APPENDIX A

REPORT ON

NET TOLL REVENUES

FOR

STATE HIGHWAY ROUTE 276 TO MINERAL KING

December 20, 1967

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COVERDALE & COLPITTS

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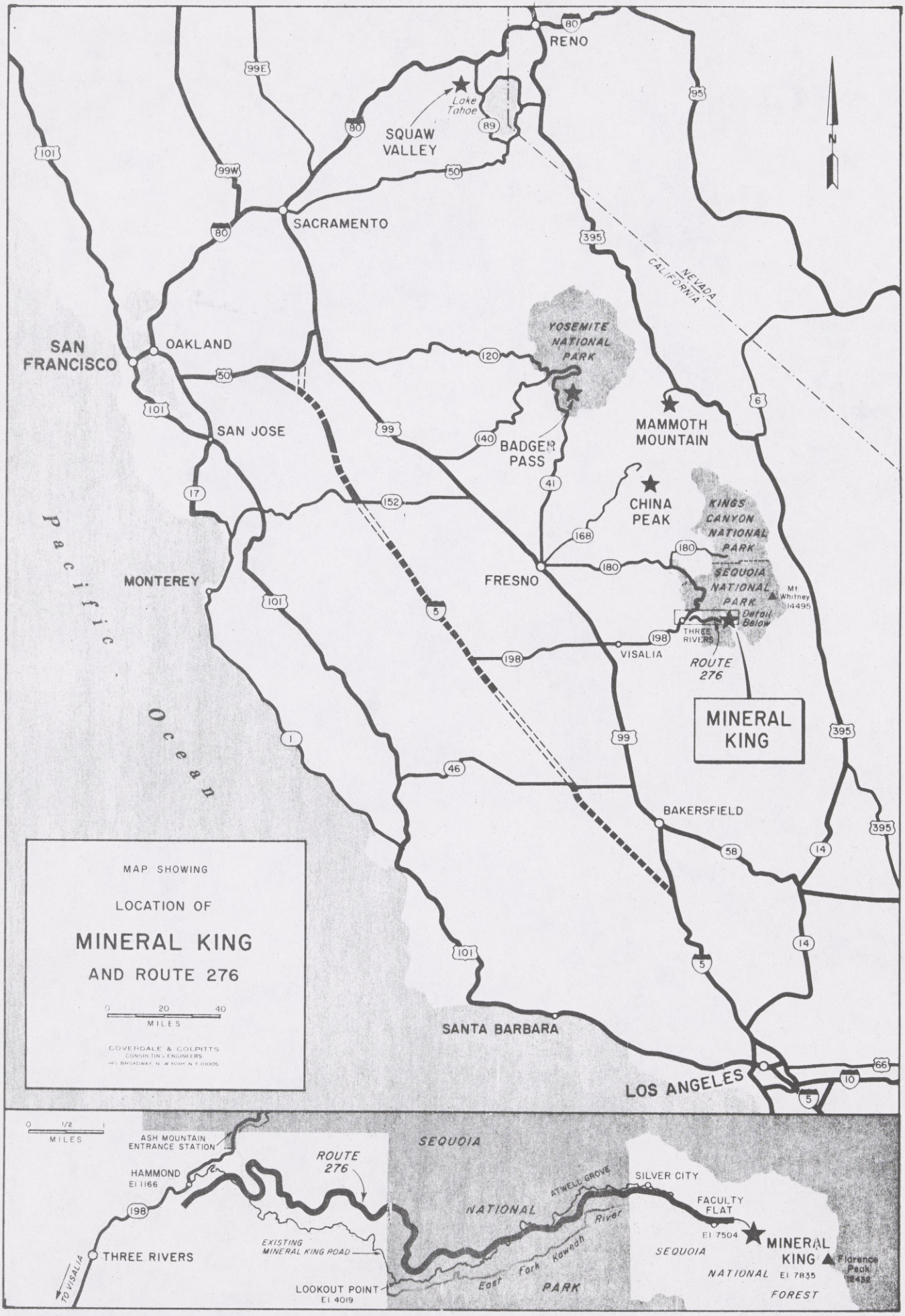

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AUGUSTUS P. FARNSWORTH
CONSULTANTS

December 20, 1967

Mr. J. A. Legarra
State Highway Engineer
Department of Public Works
Division of Highways
P. O. Box 1499
Sacramento, California 95807

Dear Sir:

In accordance with provisions of Standard Agreement Number 13281, we submit this report on net toll revenues from a toll plaza on new State Highway Route 276 and, concurrently, a report is being submitted by Blyth & Co., Inc. on the feasibility of financing all or a part of the cost of the Route 276 project with proceeds from the sale of revenue bonds using these net toll revenues. Route 276 will be the only access for the proposed, large recreational development by Walt Disney Productions at Mineral King in Sequoia National Forest, Tulare County, Highway District 06. Mineral King, as shown on the map opposite, is approximately 246 miles north of Los Angeles and 295 miles southeast of San Francisco.

In the course of our study we visited the Mineral King site, Yosemite, Kings Canyon and Sequoia National Parks and the Squaw Valley and Heavenly Valley ski areas near Lake Tahoe. We consulted with personnel of the Division of Highways, Division of Bay Toll Crossings, U. S. Forest Service, National Park Service and Walt Disney Productions and by telephone with the manager of the Mammoth Mountain ski area. We reviewed and analyzed the considerable amount of pertinent information obtained from these and other sources.

IF YOU WISH TO CIRCULATE OR PUBLISH ANY STATEMENT REFERRING TO THIS REPORT OR TO ITS CONTENTS, WE AGREE TO YOUR DOING SO PROVIDED WE HAVE APPROVED SUCH STATEMENTS IN ADVANCE.

2023.009.0173 Z5

ROUTE 276 PROJECT

The Division of Highways advised us that the Route 276 Project will be approximately 20.4 miles long from a connection with Route 198 near Three Rivers and Hammond at an elevation of 1,360 feet, to a parking lot at an elevation of 7,500 feet, near Mineral King. The Project will have the following features.

(a) A two-lane, 28-foot wide roadway with frequent safety (third) lanes for passing.

(b) Maximum grades of 8 percent below the snow line elevation of 5,000 feet, and 6 percent above the snow line.

(c) A reasonable safe operating speed of 40 miles per hour.

(d) Access control, for it has been declared a freeway by the California Highway Commission.

(e) A toll plaza near Hammond for "inbound" traffic only, which is in accordance with our recommendation.

The location developed for Route 276 is in public domain lands, Sequoia National Park, Sequoia National Forest and a few privately owned parcels. Rights-of-way for the Project have not yet been obtained.

The Project is scheduled to open in the fall of 1973.

The Division of Highways estimates the cost of construction, rights-of-way and contingencies for the Project at $22,475,000 including approximately $5,600,000 for bridges, and the cost of engineering at $3,300,000. The State has an agreement with the Economic Development Administration to provide a Federal grant of $3,000,000 for the Project.

MINERAL KING RECREATIONAL DEVELOPMENT

In January 1966 the U. S. Forest Service awarded a preliminary permit to Walt Disney Productions to undertake the recreational development of the Mineral King area. In 1969, if certain requirements are met including the programming of funds for the access road, a 30-year term special-use permit will be issued to

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Walt Disney Productions. The Disney tentative plans for expenditures, facilities, and employment at Mineral King for the first year, 1974, and for the sixth year, 1979, are as follows.

Tentative Plans for the Mineral King Recreational Development

	In Operation	
	1974	1979
Cumulative expenditures for facilities	$18 million	$35 million
Ski lifts		
Enclosed (cabin) lifts	3	3
Double chair lifts	5	12
Total ski lifts	8	15
Uphill capacity, persons per hour	8,100	14,400
Snowmaking equipment	If necessary	
Automobile parking spaces		
Lots and/or structure at "Faculty Flat"	2,000	
In the Mineral King village	300	
Total spaces	2,300	5,000
Conveyance systems (from the main parking area to the village and lifts)	1	2
Overnight accommodations, guest capacity		
Permanent (in the village)	1,520	3,150
Seasonal (summertime only)	400	2,000
Total overnight accommodations	1,920	5,150
Campgrounds, number of campsites	100	400
Eating facilities, seats	1,300	2,350
Cocktail lounges, seats	550	950
Snow play area	30-40 acres	
Information center at Highway 198	1	1
Swimming pool, outdoor, heated	1	1
Ice rinks		
Recreational	1	1
Competition		1
Golf course, par 3, 9-hole (10-20 acres)	1	1

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	In Operation 1974	1979
Conference center, seats	400-500	400-500
Theater	1	1
Other facilities		
Chapel	1	1
Convenience and specialty shops	Yes	Yes
General store	1	1
Post office	1	1
Ski school	1	1
Day skier shop	1	1
Heliport	1	1
Service station	1	1
Fire station	1	1
Reservoir	1	1
Employees (full time)	635	921
Housed at Mineral King	476	690
Living in Hammond, Three Rivers, Visalia, etc.	159	231

Disney bulletins are quoted as follows.

(a) "The Disney plan is designed (1) to provide year-round recreational facilities that serve the public need and the interests of all Californians and visitors to the State, regardless of age, income level, athletic abilities or freetime pursuits, and (2) to preserve the natural beauty and Alpine environment of Mineral King."

(b) "The present timetable calls for a grand opening of the village and eight ski lifts to White Chief, Eagle and Mosquito bowls in December, 1973, following the scheduled completion in October that year of the new access road.

"There will be provisions to accommodate from 6,000 to 8,000 skiers on the slopes at one time."

(c) "Winter facilities and recreational areas will be used during warm months as well. Some ski lifts and the aerial tramway will take sightseers, campers, hikers and students of wildlife to the heights surrounding the valley. Restaurants atop nearby mountains will draw summer visitors who will find dining atop a mountain peak a refreshing experience. Views of the High Sierra will be unmatched.

"The snow play area and gentle slopes for beginning skiers will double as summertime picnic grounds."

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Additional information on Disney plans for the summer program at Mineral King is given in the following quotation from a December 5, 1967 letter.

> "All of the recreational facilities expected in most mountain resort areas will be available. These include hiking, fishing, swimming, photography, camping, horseback riding and pack animals and sightseeing trips. In addition, we plan such daytime activities as organized interpretive nature walks, 3-par golf, tennis, water sports on a reservoir lake such as sailing, swimming and fishing plus gondola and ski lift rides and restaurants at higher view locations. We will have a variety of organized activities for children of all ages.
>
> "For both day and night, we plan frequent musicals and theatrical performances by visiting groups. There will undoubtedly be year-round ice-skating. Evening programs will include theatre showings of nature series type films and other evening entertainment. In addition to all of these activities, this organization will certainly conceive of new and interesting ways to entertain visitors and let them better understand and enjoy this fabulous area."

The Mineral King Site

The Mineral King site is in a narrow mountain valley at an elevation of about 7,835 feet, surrounded by mountain peaks with elevations up to 12,432 feet. The U. S. Forest Service began a winter sports investigation at Mineral King in 1945, and the Disney organization is now collecting up-to-date winter weather data. Findings show that winter winds and temperatures are moderate and that sub-zero weather or high winds are rare. Measured snow depths since 1948 averaged from three to four feet at the lower elevations and to six feet and more on the upper slopes. The U. S. Forest Service prospectus states, with reference to skiing, that "there is dependable snow-cover from late November to late April under normal conditions... Avalanche hazard occurs every winter in many places." Weather observation reports show that for 12 to 16 days of a skiing season there is fog in the Mineral King Valley area until mid-afternoon,

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but that the upper ski bowls usually are clear throughout such days. Early in the winter there may be rain at Mineral King and snow at the surrounding higher elevations.

From our review of available weather and snow data, we believe a commercial skiing season can be expected normally between mid-December and mid-April and that skiing will be adversely affected to a marked extent on an average of one year in ten because of unfavorable weather conditions.

Summers at Mineral King are dry and mild. In July and August 1966, daily temperature lows ranged from 29 to 50 degrees Fahrenheit and daily highs ranged from 59 to 83 degrees Fahrenheit.

Travel Time

Automobile travel times to Mineral King, when Route 276 is completed, will be as follows from principal California metropolitan areas.

Los Angeles to Mineral King	4-1/2 hours
San Francisco to Mineral King	5-1/2 hours

The routings will be via freeways or good two-lane highways so the trip will be relatively easy and pleasant.

ROUTE 198

New Route 276 is to connect with State Highway Route 198 near Hammond. Present Route 198 is sub-standard for several miles in the vicinity of Three Rivers, to an extent whereby we believe it would not be suitable for use as the access route for the Mineral King development plus Sequoia National Park which it also serves. The Division of Highways has a route planning project for this sub-standard section of Route 198, and construction may start in six or seven years. We assume this Route 198 improvement will be completed by the fall of 1973. The design for the Route 198 improvement project will include the connection with Route 276 and close the gap shown on the map facing page 1.

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OTHER CALIFORNIA SKI AREAS

We studied data for various principal ski areas and selected two in California, Squaw Valley in Placer County and Mammoth Mountain in Mono County (see map facing page 1), for primary comparisons with the proposed ski development at Mineral King. Certain features of these well-established, popular ski areas are as follows.

	Squaw Valley	Mammoth Mountain
Lifts	22	9
Uphill capacity, persons per hour	16,100	8,400
Parking spaces		
In lots	2,267	1,400
Overflow (along access road)	900+	400+
Total	3,167+	1,800+
Travel time, from		
Los Angeles	9 hrs.	6 hrs.
San Francisco	3-3/4 hrs.	7 hrs.
Skiing season	Nov. 15-Apr. 15	Nov. 15-May 31
Elevations		
Base	6,200 ft.	8,500 ft.
Top	8,900 ft.	10,600 ft.
Lodge and motel accommodations, guest capacity		
At site	1,479	500
Within 10 miles	5,000	1,500+
Total	6,479	2,000+
Winter sports patronage, "visitor days"		
Season		
1960-1961		255,952
1961-1962		230,231
1962-1963		187,255
1963-1964	653,484	271,296
1964-1965	625,285	296,219
1965-1966	422,561	316,296
1966-1967	898,414	424,232
Ski operator revenues		
Fiscal Year		
1962-1963	$ 321,102	
1963-1964	860,347	
1964-1965	1,201,320	
1965-1966	1,523,208	

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It is reported that most of the Squaw Valley patronage comes from the Bay area and most of the Mammoth Mountain patronage from the Los Angeles area. Both areas operate substantially at capacity on weekends and holiday periods.

Comparison of the facilities at Squaw Valley and Mammoth Mountain with the uphill lift capacity, parking spaces and overnight accommodations planned for Mineral King in 1974 indicates that Mineral King's capacity will be generally comparable to Mammoth Mountain today, and that by 1979 the expanded Mineral King facilities will be approximately comparable to today's Squaw Valley except that in 1979 Mineral King will have many more parking spaces than Squaw Valley and fewer overnight accommodations than Squaw Valley has within ten miles.

Automobile Traffic

The best available data which indicate the amount of automobile traffic to the Squaw Valley and Mammoth Mountain ski areas during the ski season are counts of parked vehicles at and near the base lodge during the mid-day (peak) period of each day. These data are summarized as follows.

	Parked Vehicles at Mid-day Dec. 17, 1966-Apr. 16, 1967		Ratio, Squaw to Mammoth
	Squaw Valley	Mammoth Mountain	
Weekends and holiday periods	101,075	65,547	1.5
Other weekdays	35,686	33,080	1.1
Total	136,761	98,627	1.4
Four highest days	Feb. 12 3,569	Dec. 29 1,834	2.0
	Dec. 31 3,371	Feb. 12 1,733	
	Dec. 29 3,352	Dec. 27 1,675	
	Feb. 11 3,226	Dec. 26 1,628	

Comparison of these parked cars' ratios with data on a previous page for capacities of lifts, parking and overnight accommodations indicates that although the highest days' parked cars ratio is in accordance with capacity

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differences, the Mammoth area generally has higher patronage with reference to capacity, especially on weekdays. This analysis confirms comments we heard in the field, that Mammoth has unusually high patronage during the middle of the week.

Number of Trips

The number of parked cars is not the number of automobile trips which are made from home to the ski areas. Some of the parked cars counted on successive days are vehicles of people using overnight accommodations at and near the ski slopes; such vehicles are counted several times as a parked car, for one trip to the area. We calculated a number of automobile trips for the Mammoth area as follows, assuming an overall average length of stay of two days for all Mammoth ski season patrons.

98,627 Mammoth parked cars at 3 persons per car (this average is based on several counts at the parking lot) = 297,000 people

297 ÷ 3 persons per car ÷ 2 days average length of stay = 50,000 vehicle-trips

We made this calculation with reference to the Mineral King ski development and the proposed toll plaza at the lower end of new Route 276. The 50,000 vehicle-trips figure would be the number of toll collections if Mammoth Mountain was served by a 20-mile toll road with a toll plaza at the lower end near Highway US 395.

Smaller Ski Areas

There are a number of smaller ski areas located in the mountains along the eastern edge of the San Joaquin Valley which probably serve many skiers who reside in the Fresno-Bakersfield area that has a population of approximately

2023.009.0173 Z13

three-quarters of a million. Parked cars and patronage statistics for two of these ski areas are as follows.

Badger Pass, 86 miles north of Fresno
For December, 1966 through April, 1967, the total parked cars were counted at 46,175. This area's lifts have an uphill capacity of 4,500 people per hour, and there are overnight accommodations for 2,900 guests within 25 miles.

China Peak, 68 miles east of Fresno
For the 1966-1967 ski season the visitor-days estimate is 22,100.

These locations are indicated on the map facing page 1.

Badger Pass

Readily available data on Badger Pass parked cars show the following.

Four highest days, 1967 season	Jan. 28	1,520 parked cars
	Jan. 1	1,495 parked cars
	Feb. 12	1,430 parked cars
	Feb. 11	1,210 parked cars

There were 31 days at Badger Pass with more than 600 parked vehicles recorded (versus a 31st highest day at Squaw Valley of 1,528).

Approximate ratios of Badger Pass to Squaw Valley parked cars are as follows.

Total parked cars	34%
31st highest day	39%
Four highest days	42%

These comparisons indicate that Badger Pass ski season patronage may be even more concentrated on weekends and holiday periods than at Squaw Valley, and that weekday patronage at Badger Pass is relatively lower than at Squaw Valley and very much lower than at Mammoth.

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It appears to us that Disney promotional efforts for the ski season at Mineral King would do well to achieve the relatively high weekday patronage that has been recorded at Mammoth.

COLORADO SKI AREAS

We reviewed data for principal Colorado ski areas and noted with special interest the following comparison of attendance statistics for Vail for its initial four full seasons of operation, with patronage at other principal ski areas.

Year	Vail	Aspen	Winter Park
	(Thousands of People)		
1963	55	121	84
1964	85	153	142
1965	146	174	187
1966	205	117	214
Driving time from Denver (in good weather)	2-3/4 hrs.	5-1/4 hrs.	1-3/4 hrs.

The Vail attendance during its first year was 46 percent and 65 percent, respectively, of the Aspen and Winter Park attendance, but by the fourth year Vail attendance quadrupled, equalling the Winter Park attendance and exceeding that of Aspen. This same "slow start" phenomenon was shown by confidential attendance data for a recently opened new facility in another major ski area.

We believe it is reasonable to calculate Route 276 toll revenues based on Mineral King patronage growth as recorded at Vail during its first few years of operation.

NATIONAL PARKS

Mineral King is surrounded by Sequoia National Park, is about 25 airline-miles from principal tourist attractions in Kings Canyon National Park and is about 100 airline-miles south of Yosemite National Park as indicated on the map facing

2023.009.0173 Z15

page 1. These Parks have accommodations, automobile travel time, weather and patronage as follows.

	Yosemite	Sequoia and Kings Canyon
Accommodations, guest capacity	5,315	1,765
Campgrounds, number of campsites	4,000+	1,707
Automobile travel time, from		
Los Angeles	6 hrs.	4-1/2 hrs.
San Francisco	4 hrs.	5-1/2 hrs.
Summer weather	Dry, sometimes warm days, cool nights	Dry, moderate days, cool nights

Patronage, number of visitors	Yosemite	Sequoia	Kings Canyon
	(Thousands)		
1962	1,505	676	837
1963	1,473	676	734
1964	1,547	649	837
1965	1,635	868	858
1966	1,817	798	923

Vehicle counters used for the Kings Canyon and Sequoia National Park attendance figures listed above result in double counting people who visit both Parks on a single automobile trip. Each Park has a separate entrance, but the Parks are adjoining and there is a road between the Parks across the common boundary. Vehicles crossing this common boundary are counted again as they enter the other Park.

There is a charge of $1.00 per day for each automobile entering a National Park, except for the relatively very few automobiles with an annual entrance permit. The $1.00 fee is collected at the "Big Stump" entrance of Kings Canyon National Park and at the "Ash Mountain" entrance of Sequoia National Park, but there is no additional charge for vehicles going through one Park into the other.

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The vehicle counts at the "paying entrances" of these Parks for the summer, spring and fall months in 1966 were as follows:

1966 Month	Big Stump Entrance	Ash Mountain Entrance	Total
April*	2,884	2,752	5,636
May	12,186	8,762	20,948
June	18,767	16,805	35,572
July	34,524	24,512	59,036
August	30,372	26,663	57,035
September	20,287	14,630	34,917
October	15,607	5,290	20,897
November	7,588	3,908	11,496
December*	630	3,921	4,551
Total	142,845	107,243	250,088

* Half of the month.

The 107,243 vehicles listed above for the Ash Mountain entrance of Sequoia National Park used Route 198 through Three Rivers as the access route, and thus passed by the location planned for the beginning of new Route 276. (See the map facing page 1.)

OTHER AREAS SERVED

Route 276 also will serve other areas and developments, in addition to the Mineral King development by Disney. These others are listed below, from east to west (downhill) along Route 276.

Silver City

This area is about three miles west of Mineral King. It now has about 35 private cabins used for weekends and summer vacations. There are several hundred acres under private ownership in the Silver City area, which are programmed for development with individual homes, condominiums and motel accommodations after Route 276 is completed. (We presume there will be limited access to Route 276 through the Silver City area to avoid congestion affecting Mineral King traffic.)

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Sequoia National Park

A six-mile wide part of Sequoia National Park between Lookout Point and Atwell Mill will be traversed by Route 276. The Park Service advised us that except for a nominal expansion of the Atwell Grove Campground, there are no plans for further development of this part of the Park.

Public Domain and Private Lands

The lower (western) end of Route 276 will traverse undeveloped or sparsely settled public domain and private lands. We found no plans for roadside developments in this area.

Parts of the existing county road to Mineral King may be preserved with Tulare County maintenance to continue access to various locations off Route 276.

ROUTE 276 TOLL SCHEDULE

We selected a tentative toll schedule for the Route 276 toll plaza based on our experience with toll rates at many highways and bridges throughout the country and with consideration of the following points.

1. The Route 276 toll is to be collected once, for "inbound" vehicles only, near the western end of the Project. A round trip on the Project will be about 41 miles.

2. Route 276 will provide the only access to Mineral King, and it will be an excellent, very easy driving, scenic mountain road.

3. The Park Service charges a daily fee of $1.00 for passenger cars entering Sequoia, Kings Canyon and Yosemite National Parks.

4. Tolls vary widely at toll highway facilities. For example, the Pennsylvania Turnpike full-length toll is about one cent per mile, but the Pike's Peak toll road charges $1.25 per adult and 25 cents per child for an 18-mile facility. The Mackinac Bridge which serves recreational areas in northern Michigan charges $3.75 per car.

5. Parked vehicles' data for various California ski areas show only a very small percentage of buses. Also, we believe there will be relatively few trucks using Route 276.

6. Daily charges for the use of a ski area generally are over $5.00 per person.

2023.009.0173.28

The tentative toll schedule we selected is as follows:

(1) During the ski season of approximately December 15th through April 15th: $1.50 per vehicle, for all types of vehicles.

(2) During the summer, spring and fall season of approximately April 16th through December 14th: $1.00 per vehicle, for all types of vehicles.

(3) Commuter books for all year: $30 for a book of 45 tickets good for 60 days from date of issue, good only for the specific vehicle (any type) for which it is issued. We expect this ticket book will be used primarily by Disney employees.

We assume these tolls will apply to all inbound traffic, regardless of destination along Route 276.

TOLL-PAYING TRAFFIC

We developed our estimate of Route 276 toll-paying traffic in three parts; for the ski season, for the summer, spring and fall season, and for miscellaneous other traffic.

Ski Season

For the first year ski season at Mineral King we note that:

1. Mineral King will have about the same lift capacity as Mammoth had in the 1967 season, a somewhat lower number of accommodations for overnight lodging, more parking spaces and will be closer to Los Angeles.

2. Mammoth is reported to have operated at a practical capacity condition on weekends and holiday periods during the 1967 ski season. Since then a new gondola lift has been installed at Mammoth.

3. Mineral King should attract more day skiers than Mammoth because it will be relatively near the large number of people living in the Fresno-Bakersfield area.

4. Vail's first full season recorded only 46-65 percent of the attendance at other principal Colorado ski areas.

5. Weather at Mineral King may be very unfavorable for skiing about one year in ten.

2023.009.0173.219

In consideration of these points and other findings from our study, we believe a reasonable calculation of first year ski season toll-paying traffic for Route 276 is as follows.

50,000 vehicle-trips to Mammoth in the 1967 season which had capacity operation much of the time
x 1/2, a first year factor as recorded at Vail
x 1.2, a factor for optimism respecting Disney promotional and operational skills, and the relative ease of the automobile trip from Fresno, Bakersfield and Los Angeles to Mineral King
= approximately 30 thousand toll-paying vehicles.

For the sixth year, 1979, when many Mineral King facilities are to have nearly twice the first year's capacity, we believe the following is a reasonable calculation of Route 276 toll-paying traffic.

50,000 vehicle-trips to Mammoth in the 1967 season
x 2, a factor for the additional capacity at Mineral King
x 1.2, a factor for optimism respecting Disney skill in promotion and operation and the easy access to Mineral King
= 120,000 toll-paying vehicle-trips for the ski season.

The four-fold growth thus calculated between 1974 and 1979 is similar to the growth recorded at Vail between 1963 and 1966.

For the years between 1974 and 1979, we think it is reasonable to apportion the growth equally by year for our toll-paying traffic calculations which follow. After 1979, we propose to use an 8 percent per year growth rate to 1983, which is about the average rate recorded for successive ski seasons at Mammoth.

Summer, Spring and Fall

For the busy summer tourist months and the less crowded spring and fall months at Mineral King, with reference to Yosemite, Kings Canyon and Sequoia National Park attendance figures, we believe a reasonable calculation for Route 276 toll-paying traffic is as shown on the following page.

2023.009.0173.226

First year, 1974
107,243 fee-paying vehicles at the Ash Mountain entrance of Sequoia National Park in 1966
x 3/4, a "first year" factor we selected for Mineral King
= 80 thousand toll-paying vehicles for Route 276.

For the tenth year, 1983
250,088 fee-paying vehicles at Kings Canyon and Sequoia National Parks in 1966
x 1.2, a factor for Disney skill in promotion and operation
= 300,000 toll-paying vehicles for Route 276.

Again, we think it is reasonable to apportion this growth equally between the years 1974 and 1983.

Other Traffic

We expect additional Route 276 toll-paying traffic from three other sources; the development at Silver City, Disney employees and continuation of a part of the 12,000 annual traffic volume using the existing road to Mineral King. We estimate annual toll-paying traffic from these sources as follows.

Year	Silver City	Disney Employees	Continuation of Existing Traffic	Total
		(Thousands)		
1974	-	30	10	40
1979	20	45	10	75
1983	30	55	15	100

Annual Traffic

The above estimates of annual toll-paying traffic volumes for Route 276 are summarized and used to calculate annual toll revenues in the table on the following page. We have apportioned the immediately above "Other Traffic" to the different seasons of the year and the toll rates likely to be paid.

2023-009.0173, Z21

Route 276 Toll Revenue

Year	Traffic at the $1.00 Toll				Traffic at the $1.50 Toll				Commuter Traffic		
	Mineral King Summer, Spring & Fall Season	Other Traffic	Total Traffic	Toll Revenue	Mineral King Ski Season	Other Traffic	Total Traffic	Toll Revenue	Volume	Toll Revenue	Total Toll Revenue
	(Thousands)										
1974	80	20	100	$100	30	10	40	$ 60	10	$ 7	$167
1975	104	24	128	128	48	12	60	90	11	7	225
1976	128	28	156	156	66	14	80	120	12	8	284
1977	152	32	184	184	84	16	100	150	13	9	343
1978	176	36	212	212	102	18	120	180	14	9	401
1979	200	40	240	240	120	20	140	210	15	10	460
1980	225	44	269	269	130	22	152	228	16	11	508
1981	250	48	298	298	140	23	163	245	17	11	554
1982	275	52	327	327	151	24	175	263	18	12	602
1983	300	55	355	355	163	25	188	282	20	13	650

2023.009.0173, 222

OPERATING EXPENSE

In accordance with customary practice at California toll facilities, we presume operating expenses for the toll plaza including use and occupancy insurance premiums and certain financing charges will be paid from toll revenues, and we estimated the following annual operating expenses in consultation with the Division of Bay Toll Crossings.

Year	Operating Expense (Thousands)
1974	$152
1975	159
1976	167
1977	175
1978	198
1979	208
1980	218
1981	228
1982	239
1983	250

We presume all highway and bridge maintenance and repair and snow plowing expense for Route 276 will be paid from other funds, not toll revenues.

NET REVENUES

From the foregoing, we calculate annual net revenues available for debt service, as follows.

2023.009.0173.Z23

Year	Toll Revenues	Operating Expense	Net Revenues Available for Debt Service
	(Thousands)		
1974	$167	$152	$ 15
1975	225	159	66
1976	284	167	117
1977	343	175	168
1978	401	198	203
1979	460	208	252
1980	508	218	290
1981	554	228	326
1982	602	239	363
1983	650	250	400

The net revenue figures listed above are intended to represent a reasonable expectation for the long-term trend, not forecasts for specific years, prepared from available data as though they were to be used in connection with a revenue bond sale.

Respectfully submitted,

Coverdale & Colpitts

Consulting Engineers

2623.009.0173 Z24

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CABLE ADDRESS
BLYTHCO

December 22, 1967

Mr. J. A. Legarra
State Highway Engineer
Department of Public Works
Division of Highways
P. O. Box 1499
Sacramento, California 95807

Dear Sir:

In accordance with the provisions of Standard Agreement Number 13281 with the Department of Public Works, State of California, and our agreement with Coverdale & Colpitts, we are pleased to submit this letter report regarding the feasibility of financing, by means of revenue or other obligations, all or part of the funds for construction of State Highway 276.

GENERAL

Cost of the proposed project, exclusive of financing, is estimated to be $25,775,000 by the Division of Highways. This amount includes right-of-way acquisition, construction, engineering and contingency factors but does not include funding of bond interest during construction, establishment of debt service reserves, or expenses in connection with the sale of bonds such as printing, legal, advertising and fees for professional services.

On request of the California Highway Commission the Division of Highways investigated the feasibility of obtaining moneys from Tulare County, Walt Disney Enterprises and the Federal Government to meet at least part of the cost of constructing Route 276.

2023.009.0173.225

Tulare County reported it does not have money available to participate in this project. Walt Disney Enterprises is planning to expend approximately $35,000,000 for development of facilities at Mineral King, and does not believe it is feasible for them to invest additional funds for development of the highway.

Although the U. S. Forest Service could not provide any assistance, the Federal government, through the Economic Development Administration, has offered a grant in the amount of $3,000,000. Assuming that conditions imposed under terms of the EDA offer can be met, the balance of costs to be provided exclusive of financing requirements is $22,775,000, determined as follows:

Right-of-way and Construction Costs, including Contingencies	$22,475,000
Engineering Costs	3,300,000
Total Estimated Project Cost	$25,775,000
Less EDA Grant	3,000,000
Balance	$22,775,000

CONVENTIONAL REVENUE BOND FINANCING OF TOTAL COSTS

Conventional revenue bond financing of this balance, assuming net revenues would be available to support such a bond issue and that the bonds would carry an interest rate of 5 1/2%, could be accomplished by issuing $30,000,000 par value Toll Road Revenue Bonds. An issue of this amount, together with investment earnings on Construction Fund balances over a period of five years, would provide payment of $22,775,000 for construction costs and meet other requirements as shown in the following table.

2023.009.0173.226

FINANCING REQUIREMENTS

Balance of Construction Costs	$22,775,000
Bond Issue Expense	150,000
Interest During Construction (5 Years)	8,250,000
Reserve Fund (Maximum Annual Debt Service)	2,198,000*
Total Requirements	$33,373,000
Less Investment Earnings	3,345,000
Net Requirement (rounded)	$30,000,000

* Based on the assumption that 30-year bonds would be retired by 1999 with equal annual debt service payments commencing in the sixth year.

The cash flow for the project as outlined above is shown below.

Year Beginning January 1	Opening Cash Balance All Funds	Receipts	Project Costs	Interest (3)	Balance at End of Year
1969	$ ---	$33,000,000(1)	$ 4,450,000(2)	$1,650,000	$26,900,000
1970	26,900,000	1,412,000(4)	6,000,000	1,650,000	20,662,000
1971	20,662,000	1,085,000	8,500,000	1,650,000	11,597,000
1972	11,597,000	609,000	6,000,000	1,650,000	4,556,000
1973	4,556,000	239,000	975,000	1,650,000	2,170,000(5)
	Totals	$36,345,000	$25,925,000	$8,250,000	

(1) $3,000,000 grant from the Economic Development Administration and $30,000,000 from sale of bonds

(2) Includes the following:

Engineering Costs	$3,300,000
1969 Construction and Right of Way Costs	1,000,000
Bond sale expenses	150,000
Total	$4,450,000

(3) Assumed to be at 5 1/2%.

(4) Investment earnings assumed to be 5 1/4%.

(5) Reserve Fund requirement $2,198,000. Balance may be provided from first available revenues.

203.009.0173.227

Repayment of bond principal should begin within a reasonable period of time following completion of the project. For the purpose of this discussion it is assumed that the first principal payment will occur in 1974, the first year of actual operation.

The terms of the form of permit which the Forest Service proposes to issue to Walt Disney Enterprises specifies that the life of the permit is limited to thirty years. Since the permit is proposed to be issued in 1969, it will expire in 1999. There is no renewal clause contained in the permit. Under these circumstances, bonds issued to provide funds for construction of Route 276 must be fully retired by 1999, the last year for which operation of the Walt Disney Enterprises development is assured.

Following is a typical bond retirement schedule providing for repayment of 5 1/2% bonds in 26 equal annual installments beginning in 1974 and ending in 1999.

2023.009.01B.228

BOND RETIREMENT SCHEDULE
$30,000,000 ISSUE AT ASSUMED RATE OF 5 1/2%

Year	Interest	Principal	Total Debt Service	Declining Bond Balance
1974	$1,650,000	$ 545,000	$2,195,000	$29,455,000
1975	1,620,000	575,000	2,195,000	28,880,000
1976	1,588,000	610,000	2,198,000	28,270,000
1977	1,555,000	640,000	2,195,000	27,630,000
1978	1,520,000	675,000	2,195,000	26,955,000
1979	1,483,000	715,000	2,198,000	26,240,000
1980	1,443,000	755,000	2,198,000	25,485,000
1981	1,402,000	795,000	2,197,000	24,690,000
1982	1,358,000	840,000	2,198,000	23,850,000
1983	1,312,000	885,000	2,197,000	22,965,000
1984	1,263,000	930,000	2,193,000	22,035,000
1985	1,212,000	985,000	2,197,000	21,050,000
1986	1,158,000	1,040,000	2,198,000	20,010,000
1987	1,101,000	1,095,000	2,196,000	18,915,000
1988	1,040,000	1,155,000	2,195,000	17,760,000
1989	977,000	1,220,000	2,197,000	16,540,000
1990	910,000	1,285,000	2,195,000	15,255,000
1991	839,000	1,355,000	2,194,000	13,900,000
1992	765,000	1,430,000	2,195,000	12,470,000
1993	686,000	1,510,000	2,196,000	10,960,000
1994	603,000	1,590,000	2,193,000	9,370,000
1995	515,000	1,680,000	2,195,000	7,690,000
1996	423,000	1,770,000	2,193,000	5,920,000
1997	326,000	1,870,000	2,196,000	4,050,000
1998	223,000	1,970,000	2,193,000	2,080,000
1999	114,000	2,080,000	2,194,000	

2023.009.073.229

Prospective purchasers of conventional revenue bonds such as discussed above require that some margin of safety exist between the annual debt service requirements and the estimated annual net revenues available for payment of debt. This margin is commonly called "coverage". On projects such as this one, for which there is no operating history, debt service coverage of at least 1.5 times by estimated net revenues is usually desirable. A coverage factor of 150% applied to the foregoing schedule indicates that annual net revenues in the approximate amount of $3,297,000 (150% of $2,198,000) may be required. This is over eight times the maximum level of estimated net revenues developed by the consulting engineers. It appears that a conventional issue of revenue bonds to finance total costs is beyond the revenue capability of this project.

CONVENTIONAL REVENUE BOND FINANCING BASED ON ESTIMATED NET REVENUES

A conventional revenue bond issue might be sold in a lesser amount which could be supported by estimated net revenues. The same general limiting factors regarding the $30,000,000 would be applicable to this smaller issue. Net revenues should be about one and one-half times annual debt service, the bonds would have to be retired by the end of 1999 and the interest rate has been assumed to be 5 1/2%. Such a smaller issue should be sold upon project completion late in 1973 rather than at the beginning of the construction period, so that it would not be necessary to fund interest during the construction period in 1969. However, bond interest on even a small issue would exceed estimated net revenues as shown by the consulting engineers during the first four years of operation. Therefore, at least a portion of the bond issue would have to be set aside to help meet these interest costs. It would also be necessary to defer

2023.009.073.230

the first maturity of bonds until estimated net revenues exceed interest costs alone by more than one and one-half times which, assuming the issue size shown below, would not occur until 1980. It would further be desirable to gear bond principal repayment to the rate of net revenue growth projected in the engineers report so that maximum debt service payments could not be scheduled before 1983.

An approximation of the size of a revenue bond issue which might be sold on the basis of net revenue estimates established by the consulting engineers was developed by assuming that level debt service could be commenced in 1980 in an amount only moderately lower than the $290,000 in revenues projected for that year.

Under these assumptions, bonds in the principal amount of $3,100,000 could be supported although not all of this amount would be available for construction costs. A reserve fund would be established equal to one year's debt service plus one and one-half times the cumulative estimated revenue deficit for 1974 through 1977 as shown below.

Year	Interest on Bonds	Less Estimated Net Revenues	To be Provided From Bond Funds
1974	$171,000	$ 15,000	$ 156,000
1975	171,000	66,000	105,000
1976	171,000	117,000	54,000
1977	171,000	168,000	3,000
	Total		$ 318,000
	Times		1.5
	Reserve for revenue deficit		$ 477,000
	Debt service reserve (maximum annual debt service)		260,000
	Total Reserves		$ 737,000
	Bond Sale Proceeds		$3,100,000
	Less expenses		150,000
	Total available for construction		$2,213,000

2023.009.0173.781

The revenue deficit reserve set aside to provide for payment of interest prior to 1978 exceeds the amount estimated to be necessary for that purpose by $159,000. This sum could be recovered for construction repayment purposes in 1978 if actual net revenue receipts equal or exceed the engineer's estimates.

Assuming issuance of bonds with a par value of $3,100,000 in late 1973, at an interest rate of 5 1/2%, the following table shows the amounts required to meet costs of debt service beginning with 1980, the first year in which bonds are scheduled for retirement.

BOND RETIREMENT SCHEDULE
$3,100,000 ISSUE AT 5 1/2%

Year	Interest	Principal	Total Debt Service	Declining Bond Balance
1980	$171,000	$ 90,000	$261,000	$3,010,000
1981	166,000	95,000	261,000	2,915,000
1982	160,000	100,000	260,000	2,815,000
1983	155,000	105,000	260,000	2,710,000
1984	149,000	110,000	259,000	2,600,000
1985	143,000	115,000	258,000	2,485,000
1986	137,000	125,000	262,000	2,360,000
1987	130,000	130,000	260,000	2,230,000
1988	123,000	135,000	258,000	2,095,000
1989	115,000	145,000	260,000	1,950,000
1990	107,000	155,000	262,000	1,795,000
1991	99,000	160,000	259,000	1,635,000
1992	90,000	170,000	260,000	1,465,000
1993	81,000	180,000	261,000	1,285,000
1994	71,000	190,000	261,000	1,095,000
1995	60,000	200,000	260,000	895,000
1996	49,000	210,000	259,000	685,000
1997	38,000	220,000	258,000	465,000
1998	26,000	235,000	261,000	230,000
1999	13,000	230,000	243,000	

Beginning in 1983, estimated net revenues will exceed debt service by approximately $139,000 annually. Although this excess could be used, assuming there has been no need in previous years to draw down

2023.009.0173.232

reserve fund balances, for any legal purpose such as repayment of Highway funds expended to assist in construction of the Mineral King Road, pledging surplus revenue to hasten retirement of the bonds will make the issue more attractive to prospective bond purchasers. Under the assumption such a pledge is made, debt retirement would be accelerated as shown in the following table.

2023.009.0173.233

Accelerated Bond Retirement Schedule

$3,100,000 Issue

Year	Opening Balance	Add Net Revenues	D E D U C T			Declining Bond Balance
			Interest	Principal	Total	
1974	$737,000(1)	$ 15,000	$171,000	$ ---	$171,000	$3,100,000
1975	581,000	66,000	171,000	---	171,000	3,100,000
1976	476,000	117,000	171,000	---	171,000	3,100,000
1977	422,000	168,000	171,000	---	171,000	3,100,000
1978	419,000	203,000	171,000	30,000	201,000	3,070,000
1979	421,000	252,000	169,000	80,000	249,000	2,990,000
1980	424,000	290,000	164,000	290,000(2)	454,000	2,700,000
1981	260,000	326,000	149,000	175,000	324,000	2,525,000
1982	262,000	363,000	139,000	225,000	364,000	2,300,000
1983	261,000	400,000	127,000	270,000	397,000	2,030,000
1984	264,000	400,000	112,000	290,000	402,000	1,740,000
1985	262,000	400,000	96,000	305,000	401,000	1,435,000
1986	261,000	400,000	79,000	320,000	399,000	1,115,000
1987	262,000	400,000	61,000	340,000	401,000	775,000
1988	261,000	400,000	43,000	355,000	398,000	420,000
1989	263,000	400,000	23,000	420,000(3)	443,000	
1990	220,000(4)					

(1) Debt service reserve of $260,000 and reserve for revenue deficit of $477,000.

(2) Reserve for revenue deficit used to retire bonds the first year during which net revenues are 1.5 times interest on the bonds.

(3) Includes application of debt service reserve to retirement.

(4) This amount and projected net revenues in the amount of $400,000 annually would presumably be available through 1999 for purposes other than debt service.

2003.009.013, Z34

The two basic limitations governing the par value of conventional revenue bonds which may be sold are the amount of available revenues and the time interval to bond maturity. Should either of these factors be increased, additional bonds could be sold. (Conversely should either of these factors be decreased prior to sale of bonds, the amount of bonds to be sold would be reduced).

Extension of the time period over which bonds can be retired does not now appear to be a practical variable. However, the amount of revenues which may be produced can reasonably be expected to vary upward from the estimates since by their very nature they should be somewhat conservative.

If conventional revenue bonds are sold to assist in financing Route 276, provision should be made at the time of their sale to allow the issuance of additional bonds if and when actual net revenues become sufficient to support them. The table below indicates additional bond amounts which might be supported by various increases in net revenues assuming such bonds carry an interest rate of 5 1/2%, mature not later than 1999 and that additional bonds could be sold in 1984 based on actual net revenues through 1983.

Increase in Net Revenues Over the 1983 Estimate of $400,000	Estimated Amount of Additional Bonds Supported at 5 1/2% Rate, 1999 Maturity and 1.5 Coverage Requirement
$ 50,000	$ 350,000
100,000	700,000
200,000	1,400,000

In the event additional bonds are sold as a result of increased revenues, a part of the proceeds of such sale would have to be placed in the debt service reserve fund to increase the amount held therein to a

2023.009.01TB.235

sum equal to maximum annual debt service on all of the bonds then outstanding and on the additional bonds.

Should it be possible to extend the final date for payment of the bonds beyond 1999, by securing an extension provision in the Forest Service permit or providing some other method of assuring operation of the Walt Disney Enterprises development, or by arranging for payment of debt service from some other source of funds, additional bonds could be sold initially.

Under the limitations considered above, it was assumed that bonds would be sold in late 1973 and would be scheduled for retirement in 1999 with the first principal repayment beginning in 1980. Total life of the bonds, therefore, would be 26 years. The retirement period would be only 20 years however, since the first principal repayment would not be made until 1980. From a practical standpoint a 50 year bond life is about the maximum acceptable to bond buyers. Therefore, a 50 year period (ending in 2023) has been selected as the longest to be considered as a basis for calculations to determine possible bond issue sizes. Extending the maturity of the bonds beyond 30 or 35 years would quite likely result in a higher average net interest cost; however, it has been assumed in the table below that all of the bonds would be sold at the same interest rate used earlier, 5 1/2%

If the Final Maturity Date is Extended by		Additional	Total
No. of Years	To this Date	Bonds Sold	Issue Size
5	2004	$ 400,000	$3,500,000
10	2009	700,000	3,800,000
15	2014	900,000	4,000,000
20	2019	1,100,000	4,200,000
24	2023	1,200,000	4,300,000

2023.009.0173, 236

Should increases in both the amount of net revenues available for debt service and the number of years over which bonds could be retired occur, the par value of bonds to be sold would increase by a greater amount than examples shown above. Assuming that the final maturity date could be extended to 2023, that debt retirement could begin in 1980, that bond interest would be at the rate of 5 1/2% and that net revenues available for debt service would be at least $600,000 annually, then an issue of about $6,500,000 might be possible. Given the net revenue estimates developed earlier in this report by Coverdale and Colpitts, the $6,500,000 amount represents the maximum bond sale probability under a conventional revenue bond program. Only a portion of this amount would be available for construction since it would be necessary to provide a debt service reserve, reserve for revenue deficit (1974-1980) and pay issuing expenses.

OTHER REVENUE OBLIGATIONS

As pointed out earlier, the amount of conventional revenue bonds that can be marketed for a given project depends on two basic elements, the amount of annual net revenues available for debt service and the period of time over which such revenues can reasonably be expected to be applied to bond interest and principal. Liberalization of either of these factors, as was shown previously, increases the amount of bonds which can be issued. Another method of increasing the size of a bond issue which can be supported with a given level of revenues is to provide a source of those revenues which is so assured that bond purchasers will not require debt service coverage. Such a source would permit sale of bonds up to the amount which can be serviced by total net revenues, as compared to the 1.5 coverage ratio already discussed.

2023.009.0173.ZST

The following discussion assumes, for the purpose of sizing possible bond issues, that such an assured source of revenues could be developed but any such assurance is fully dependent on development of a legal means of its accomplishment.

If a method of assuring revenues can be provided and if such revenues must only equal actual debt service (and presumably equal also net toll revenues) an issue totaling $4,800,000 might be sold. Interest during the first six years in which bonds would be outstanding totals $691,000 which could be funded from bond sale proceeds or advanced from other funds. Assuming issuing costs of $150,000 and funding of interest from bond funds a balance of $3,959,000 would be available for construction.

In addition to utilizing 100% of net toll revenues for debt service, the method outlined above also has two other advantages. First, the better grade of security offered should stimulate bidding interest, which should produce a lower borrowing rate on the bonds. For this reason, a rate of 5 1/4% has been used in developing the debt service schedule but the 20 year retirement period has not been altered. The other advantage offered by this possible method is a reduction in the reserve fund requirement. Funding of interest during the period in which net toll revenues are building up could be optional since funds could be advanced from other sources for payment of interest and repaid after the bonds are retired.

2623.009.0173.238

BOND RETIREMENT SCHEDULE
$4,800,000 ISSUE AT 5 1/4%
NO COVERAGE REQUIREMENT

Year	Interest	Principal	Total Debt Service	Declining Bond Balance
1980	$252,000	$140,000	$392,000	$4,660,000
1981	245,000	150,000	395,000	4,510,000
1982	237,000	155,000	392,000	4,355,000
1983	229,000	165,000	394,000	4,190,000
1984	220,000	175,000	395,000	4,015,000
1985	211,000	180,000	391,000	3,835,000
1986	201,000	190,000	391,000	3,645,000
1987	191,000	200,000	391,000	3,445,000
1988	181,000	210,000	391,000	3,235,000
1989	170,000	225,000	395,000	3,010,000
1990	158,000	235,000	393,000	2,775,000
1991	146,000	245,000	391,000	2,530,000
1992	133,000	260,000	393,000	2,270,000
1993	119,000	275,000	394,000	1,995,000
1994	105,000	290,000	395,000	1,705,000
1995	90,000	305,000	395,000	1,400,000
1996	74,000	320,000	394,000	1,080,000
1997	57,000	335,000	392,000	745,000
1998	39,000	355,000	394,000	390,000
1999	20,000	390,000	410,000	-

The size of this bond issue could be further increased if the time period over which the bonds are to be repaid is extended. If the maturity period were extended in the same manner as outlined in the previous section regarding conventional revenue bonds to the maximum of 50 years, with 44 years of repayment, the above issue could be increased to approximately $6,700,000 of which about $5,269,000 would be available for construction. The same privilege of marketing additional bonds, in the event payments are increased (presumably such increases would be supported by increases in net toll revenues), should be included as in the sale of conventional bonds. This would permit maximum utilization of actual toll revenues to support bonds.

2023.009.013,23

CONCLUSIONS

The maximum net revenue level shown in projections compiled by Coverdale & Colpitts is substantially lower than the sums necessary to support a bond issue in an amount sufficient to fully provide funds for the construction of State Highway Route 276.

A bond issue could be developed, considering the various conditions outlined in this report, in an amount requiring debt service payments in line with the net revenues projected to be available. Such an issue would provide only a small portion of the total required.

The amount of bonds which could be issued and supported from projected net revenues could be increased to some degree if a source of funds other than net toll revenues as projected were provided to meet debt service requirements so that bond purchasers would waive coverage requirements.

Bonds may be sold, under any of these circumstances, in such a manner as to permit the issuance of additional bonds should actual net revenues be adequate to support such additional bonds.

Prior to sale of any bonds to finance all or a part of the capital cost of this project, it would be necessary to establish definitive terms regarding such an issue which would conform either to existing statutes or to future statutes which might be required to provide for the issuance of such bonds.

Respectfully submitted,

BLYTH & CO., INC.

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